



State of Delaware
Water Infrastructure Advisory Council
5 E. Reed Street, Suite 200
Dover, Delaware 19901

Telephone: (302) 739-9941
FAX: (302) 739-2137

Minutes of the 139th Meeting

August 16, 2017

The Water Infrastructure Advisory Council held a public meeting on Wednesday, August 16, 2017 at 9:00 a.m., at Kent County Administrative Complex, 555 S. Bay Road, Conference Room 220, Dover, Delaware.

MEMBERS PRESENT:

Jeffrey Bross, Chairman
Hans Medlarz, Vice-Chair
Richard Duncan
David Baker
Jen Adkins
Bruce W. Jones
Andy Burger
Michael Harmer
Lt. Col. Douglas D. Riley

MEMBERS ABSENT:

Jeffrey Flynn
Charles Anderson
Eugene Dvornick

OTHERS PRESENT WERE:

Terry Deputy, Environmental Finance
Greg Pope, Environmental Finance
Laura Rafferty, Environmental Finance
Davison Mwale, Environmental Finance
Robert C. Burns, Environmental Finance
Frank Paquette, Environmental Finance
Keith Kooker, Environmental Finance
Robert J. Zimmerman, DNREC
John Schneider, DNREC
James Sullivan, DNREC
Jennifer Roushey, DNREC
Heather Warren, DHSS/DPH
Doug Lodge, DHSS/DPH
Thom May, DHSS/DPH
Ken Branner, Artesian Water

Tawanda Priester, Tidewater Utilities
David Athey, AECOM
Nichole Davis, KCI
Mike Gilbert, WRA
Brandon Gott, GHD
Kelvin George, GHD
Dan String, KCI
Charles Chiu, Duffield
Judy Schwartz, GMB
June Andres, RVB
Thomas Krauss, DBF
Wayne Kersey, Town of Middletown
Paul Kuhns, City of Rehoboth Beach
Sharon Lynn, City of Rehoboth Beach
Sam Cooper, City of Rehoboth Beach
Andrew Jakubowitch, Kent County
Diana Golt, Kent County

CALL TO ORDER PUBLIC MEETING:

Meeting came to order at 9:00am.

APPROVAL OF THE AGENDA:

Motion made by Vice-Chair Medlarz, seconded by Mr. Burger to approve the agenda. Motion carried unanimously.

APPROVAL OF MINUTES –Public Meeting June 21, 2017:

Motion made by Mr. Duncan, seconded by Ms. Adkins to approve the June 21, 2017 public meeting minutes. Motion carried unanimously.

WIAC-INFORMATIONAL:

Greg Pope presented the following:

Update: Statewide Assessment of Wastewater and Drinking Water Facilities Needs

- Wastewater Subcommittee prepared draft scope of work and approved at the June 2017 WIAC
- Finance Subcommittee recommended to Council to perform a Drinking Water Assessment to meet the Council's requirement per DE Code
- Drinking Water Subcommittee to prepare a draft scope of work (to be discussed after today's WIAC meeting) in coordination from WW Subcommittee and Environmental Finance staff
- Target Milestones:
 - Completion of DW scope of work – August 2017
 - Advertising of combined RFP – September 2017
 - Reviewing Proposals – October 2017
 - Interviewing Candidates – November 2017
 - Awarding Contract – December 2017
- The term of the contract between the successful bidder and the State shall be for one year with one extension for a period of six months if necessary

It was suggested that there should be independent solicitations between each contract (drinking water and

wastewater). Also, oversight will be needed to ensure that reports are the same format if two different firms are awarded the contract. Chairman Bross commended everyone for their work.

Greg Pope presented the following:

City of Rehoboth Beach and Sussex County Wastewater/Bio-Solids Service Agreement

- **New Agreement sets forth a partnership with Sussex County to share in infrastructure costs, reducing user rates for all**
- Continues the Original 1983 City/County Agreement to to:
 - Treat sewage from both City and County sources at the City Plant
 - Payment for Operational Costs for the plant will be split between the City and County based on actual flows to the facility
 - Sets Term of Agreement to 25 years, can be renewed for another 25 years
 - Quantity of sewage:
 - Sets initial reserve allocation for County of 42% of plant design capacity.
 - Allows the County to increase flow allocation to 50% of plant design capacity in the future. Debt service increases proportional to final flow allocation
 - Future flow allocation increase possible if available, through payment of City's sewer impact fee
- County to provide Bio-Solids Treatment Services
 - County will transport, treat and dispose of Rehoboth's Bio-solids at Facility to be constructed at County's Inland Bays Facility
 - City will pay annual bio-solids handling fee based on actual tonnage treated
 - City to pay no fee for operational costs
- Project Cooperation
 - Ocean Outfall - County to review and comment on future Outfall Project contracts and change orders
 - Rehoboth WWTP and Shared Transmission Projects –
 - Future major capital projects and change orders are subject to review and comment by County prior to commencement
 - City and County can jointly develop add alternate projects, if needed, and either party has the authority to require an Add Alternate that will be solely funded by the requesting party

Sussex County intends to utilize at least 42% capacity under the agreement. However, if the City of Rehoboth does not submit a proposal under the LCLP, Sussex County will utilize the full allocation under the Land Conservation Loan Program (LCLP).

Greg Pope presented the following:

Western Sussex Regionalization Project

- In May of 2016 the Town of Bridgeville signed the Administrative Order of Consent with the US EPA mandating WWTP upgrades estimated at \$15.85 million. Work was to be completed by March 2019 under the order
- Discussions between the Town of Bridgeville and City of Seaford identified an opportunity for regionalization. However, several concerns still remained and

Bridgeville reached out to Sussex County

- DNREC approached the County to help facilitate a path forward. DNREC and Sussex County met with Greenwood and Bridgeville's town councils for their concurrence to perform a feasibility study to create a Western Sussex sewer district to include Bridgeville and Greenwood wastewater flows and transport to Seaford for treatment and disposal
- DNREC facilitated a discussion with US EPA Region 3 and the stakeholders to allow Bridgeville time to evaluate a regional solution. EPA concurred and a revised timeline was created showing the regional solution could be implemented by October 2020
- Sussex County sanctioned an engineering study using the Bridgeville's consultants, Davis, Bowen, and Friedel (DBF), and Seaford's consultants, George, Miles, and Buhr (GMB) to conduct the study and develop a cost estimate
- A Western Sussex County Sewer District connecting to the City of Seaford was estimated at a project cost of \$12.68 million
- CWSRF and USDA/RD funding has been pledged towards the alternate solution in an equal or better grant/loan ratio than the stand-alone solution
- Sussex County would assume all of municipal sewer related assets, liabilities and legacy obligations after district expansion. Assets no longer needed will be liquidated and proceeds will be contributed toward debt reduction
- Seaford has agreed in principle to the outlined arrangement including a full buy-in for the existing municipal systems as they exist today, including any remaining legacy obligations conditioned upon the waste load allocation (WLA) transfer under the Chesapeake TMDL
- There is initial concurrence from USEPA and DNREC to allow the transfer of Bridgeville's WLA to Seaford
- The creation of a Western Sussex Sewer District Area does not change the underlying land use. The municipal and County Comprehensive Plans, in particular the annexation areas remain in effect
- The current Sussex County Service Charge is \$286/year per Equivalent Dwelling Unit (house, mobile home, apartment, etc.); billed quarterly to all customers in the system
- The proposed debt service, based on an equal or better grant/loan ratio than currently offered, is expected to be in the range of \$250- & \$275 per year per EDU
- Estimated annual household cost:
 - \$286 – current (FY 2018) system wide User Charge per EDU
 - \$275 – total debt service incl. refinanced existing debt
 - Total: \$561/year per EDU
- Sussex County made a presentation made to the Towns of Greenwood and Bridgeville on July 5th and July 10th, respectively outlining all of the details of the proposed district

Next Steps

- Bridgeville and Greenwood may request formation of a County sewer district pursuant to Title 9 Del. Code § 6501
- After receipt of the requests from the municipal Councils; Sussex County Council may establish the initial Western Sussex Area of the Unified Sewer District under a proposed boundary matching the municipal sewer service areas (contingent upon load allocation transfer under the Federal TMDL)
- After the Unified Sewer District expansion approval by the Sussex County Council, the County will submit a WW Planning Advance application to Environmental Finance to prepare a Preliminary Engineering Report (PER) and Environment Report (ER) necessary to apply for state and federal funding

- The Preliminary Engineering Report will develop a detailed cost estimate based on the proposed initial boundary and identify expansion areas for an even better economy of scale

NEW BUSINESS:

Greg Pope presented the following:

City of Rehoboth Beach Ocean Outfall and WWTP CIP Phase 1 and 2 Supplemental Funding Request

- **Results of Ocean Outfall and WWTP Bidding:**

- Ocean Outfall Bids:

• Force Main – A-Del Construction	\$ 5,700,447
• Effluent Pump Station – Allan-Myers	\$ 1,768,555
• Ocean Outfall – Manson Construction	<u>\$27,655,850</u>
• Total	\$35,124,852

- WWTP CIP Phase 1 Bids:

• WWTP Phase 1 CIP – Allan-Myers	\$ 2,256,555
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- CWSRF Funds Previously Awarded:

• Ocean Outfall	\$25,000,000
• WWTP CIP Phase 1	\$10,488,000
• WWTP Bio-solids	<u>\$12,500,000</u>
• Total Funds available	\$47,988,000

- City has authorization to borrow up to \$52.5 Million per 2015 referendum

- **Funds needed to proceed (bid projects):**

• Ocean Outfall (PS, FM, Outfall)	\$35,124,852
• Change Order Contingency (5% of Const. Cost)	\$ 1,756,243
• Legal, Admin, and Construction Management	<u>\$ 3,600,000</u>
• Total Project Cost	\$40,481,095

• WWTP CIP Phase 1 (Clarifiers, Screens)	\$ 2,256,555
• Change Order Contingency (5% of Const. Cost)	\$ 112,828
• Construction Management	<u>\$ 350,000</u>
• Total Project Cost	\$ 2,734,364

- **Supplemental Funding Request:**
- Increase amount borrowed from \$47,988,000 to \$52,500,000
- Increase Outfall Loan from \$25,000,000 to \$40,500,000 at same terms
- Scope of Ocean Outfall Loan is unchanged
- Eliminate WWTP Phase 1 CIP loan and merge with Phase 2 loan
- Reduce WWTP Phase 2 Loan from \$12,500,000 to \$12,000,000 at same terms
- Reduced Scope of WWTP Loan(s):
 - Phase 1 - Clarifiers and Screens (previously bid as CIP 1)
 - Phase 2 - Electrical Systems upgrade
 - Phase 2 – Bio-solids upgrade

Description	Amount
<u>WWTP CIP phase 1</u>	
Construction Bid Results	\$2,256,555
C/O contingency	\$112,828
Construction Mgt	\$364,981
Phase 1 total	\$2,734,364
<u>WWTP CIP Phase 2</u>	
Site Civil Improvements	\$913,000
B-2 Filtration Building	\$112,000
B-6 New Electrical Building	\$462,000
B-7 Dewatering Building	\$2,878,000
ES-1 Electrical Substation	\$8,000
T-7 Sludge Thickener	\$144,000
Electrical upgrade	\$3,444,000
Construction Subtotal	\$7,961,000
C/O contingency	\$562,586
Construction Mgt	\$742,050
Phase 2 total	\$9,265,636
Total	\$12,000,000

City of Rehoboth Beach	Ocean Outfall	WWTP CIP BioSolids Project	Total
Ocean Outfall	\$35,488,000	\$12,000,000	
Supplemental Funding	\$5,012,000		
Loan Amount	\$40,500,000	\$12,000,000	\$52,500,000
Interest Rate	2.0%	2.0%	
Loan Terms Years	25	20	
<u>Wastewater</u>			
Annual Debt Service, New Facility	\$2,066,531	\$730,934	\$2,854,891
Existing Debt Service	\$57,425		
Increase in O,M & R Outfall	\$146,000		\$146,000
Increase in O,M & R WWTP		\$142,000	\$142,000
O,M & R	\$2,602,000	\$2,602,000	\$2,602,000
Total Cost New Facility	\$4,871,956	\$3,474,934	\$5,744,891
Non Allocated Cost New Facility Approx. 50%	\$2,435,978	\$1,737,467	\$2,872,445
Residential Share at 61.9%	\$1,507,870	\$1,075,492	\$1,778,044
EDU's			2200
Total Estimated Annual Charge Per EDU			\$808
Median Household Income			\$77,500
% of MHI			1.04%
<u>Drinking Water</u>			
Existing Debt Service			\$106,203
O,M&R			\$1,509,796
Total Facility Cost			\$1,615,999
% of MHI			0.95%
Wastewater & Drinking Water			1.99%

Proposed Loans Terms

- The proposed loans will be secured by a General Obligation Bond
- Ocean Outfall Loan - \$40.5 M, 2.0% interest, 25 year term
- WWTP CIP Phase 1&2 Loan - \$12.0 M, 2.0% interest, 20 year term
- During construction semi-annual installments of 2% interest only payments will be made by the City.
- Upon project completion, principal and interest payments shall be paid semi-annually in an amount sufficient to amortize the outstanding principal balance over the respective 25 and 20 year terms.

Recommendation

Environmental Finance, Office of the Secretary, recommends Council approval and recommendation of two CWSRF Binding Loan Commitments in the amount of \$40,500,000 for the Ocean Outfall Project, and \$12,000,000 for the WWTP CIP Phase 1 and 2 to the City of Rehoboth Beach. The City will be required to pay 2% interest during project construction paid semi-annually. Upon completion, principal and interest payments shall be paid semi-annually in an amount sufficient to amortize the outstanding principal balance over the 25-year term for the Ocean Outfall loan and 20-year term for the WWTP CIP Phase 1 and 2 loan.

Motion made by Mr. Duncan, seconded by Mr. Burger to approve the CWSRF Binding Loan Commitments (\$40,500,000 and 12,000,000) for the City of Rehoboth Beach. Motion carried unanimously.

ADMINISTRATOR REPORTS:

Project Updates

- Sussex County – Angola North Sewer Expansion
 - Under construction, first progress meeting July 20th
- Millsboro – Generator and Pump Station Projects
 - Design 90% Complete, Preparing Bid Documents
- Dover – Del Tech, Silver Lake, and Walker Woods Pump Station Projects
 - Under design

Frank Paquette presented the following:

CWSRF AND DWSRF CASH FLOW MODEL

Delaware CWSRF and DWSRF Financial Report Month Ending – July 31, 2017

	Sources of Funds	CWSRF (Millions of \$) Obligation of Funds	Disbursement of Funds	Sources of Funds	DWSRF (Millions of \$) Obligation of Funds	Disbursement of Funds
Actuals Through July 31, 2017						
Source of Funds						
Cap. Grants + State Match - Administrative	\$236.667			\$182.046		
Transfer of DWSRF Funds + State Match	31.529			(31.529)		
SRF Loan Repayments	152.574			52.332		
NPS Loan Repayments	15.328					
Investment Interest	12.304			2.949		
	<u>448.402</u>			<u>205.797</u>		
Loan Dollars:						
Cap. Grant Loans		\$345.738	\$320.184		\$177.038	\$160.487
Non Cap. Grant Loans		16.453	16.453		5.000	5.000
		<u>\$362.191</u>	<u>\$336.637</u>		<u>\$182.038</u>	<u>\$165.487</u>
Balance Available for Loans		\$86.211	\$111.764		\$23.759	\$40.310
Projected August 1, 2017 through June 30, 2018						
Source of Funds						
FY 2018 Capitalization Grant + State Match - Admin	\$6.474			\$7.334		
Transfer from CWSRF to DWSRF	As Needed			As Needed		
SRF Loan Repayments	15.936			7.756		
Investment Interest	9.000			0.300		
	<u>\$31.410</u>			<u>\$15.390</u>		
Loan Dollars						
Cap. Grant & Non Cap Grant Loans		\$146.509	\$67.743		\$20.000	\$7.247
NPS Loans		0.468	0.468			
		<u>\$146.977</u>	<u>\$68.211</u>		<u>\$20.000</u>	<u>\$7.247</u>
FY 2018 Balance Available for Loans		(\$115.567)	(\$36.801)		(\$4.610)	\$8.143
Cumulative Balance Available for Loans		(\$29.357)	\$74.963		\$19.149	\$48.453
Projected July 1, 2018 through June 30, 2019						
Source of Funds						
FY 2019 Capitalization Grant + State Match - Admin	\$4.200			\$3.990		
Transfer from CWSRF to DWSRF	As Needed			As Needed		
SRF Loan Repayments	20.670			9.115		
Investment Interest	0.600			0.270		
	<u>\$25.470</u>			<u>\$13.375</u>		
Loan Dollars						
Cap. Grant & Non Cap Grant Loans		\$29.000	\$58.656		\$25.000	\$14.518
NPS Loans		0.500	0.500			
		<u>\$29.500</u>	<u>\$59.156</u>		<u>\$25.000</u>	<u>\$14.518</u>
FY 2019 Balance Available for Loans		(\$4.030)	(\$33.686)		(\$11.625)	(\$1.143)
Cumulative Balance Available for Loans		(\$33.388)	\$41.277		\$7.524	\$47.310

SUBCOMMITTEE REPORTS:

WASTEWATER: Will be a meeting after today's WIAC meeting.

SURFACE WATER: Did not meet. There will be a meeting scheduled in the future. Vice-Chair Medlarz would like to discuss improvements in the Chesapeake Watershed under the Chesapeake Program.

FINANCE: Met on Monday, July 31, 2017 to discuss the materials presented at today's WIAC meeting.

DRINKING WATER: Did not meet, but Mr. Duncan had conversations with Greg Pope and Bruce Jones. Mr. Duncan stated there will be a meeting with Greg Pope, Bruce Jones and the other subcommittee members after today's WIAC meeting.

PUBLIC COMMENTS: None

GOOD OF THE COUNCIL: None

MEETING ADJOURNMENT: Motion made by Mr. Baker, seconded by Mr. Duncan to adjourn the meeting. Chairman Bross adjourned the meeting at 10:00am. The next WIAC meeting is October 18, 2017, and will be held at Kent County Administrative Complex, Conference Room 220, 555 Bay Road, Dover, DE at 9:00am.